Interim extended financial statement of Capital Group of Bank Millennium S.A. issued under the International Financial Reporting Standards for Q4 2006

MAIN FINANCIAL DATA

	Amount '000 PLN		Amount '000 EUR	
	IV quarters/ period from 1.01.2006 - 31.12.2006	IV quarters/ period from 1.01.2005 - 31.12.2005	IV quarters/ period from 1.01.2006 - 31.12.2006	IV quarters/ period from 1.01.2005 - 31.12.2005
I. Interest income	1 291 483	1 196 583	331 229	297 416
II. Fee and commission income	420 500	293 503	107 846	72 952
III. Operating income	1 267 558	1 481 037	325 093	368 119
IV. Operating profit	370 732	709 743	95 082	176 410
V. Gross profit (loss)	370 732	709 743	95 082	176 410
VI. Net profit (loss)	300 787	567 054	77 143	140 944
VII. Net cash flows from operating activities	-4 918 088	357 983	-1 261 350	88 978
VIII. Net cash flows from investing activities	2 157 640	-140 661	553 373	-34 962
IX. Net cash flows from financing activities	847 542	-1 197 680	217 370	-297 689
X. Net cash flows, total	-1 912 906	-980 358	-490 606	-243 673
XI. Total Assets	24 692 125	22 151 139	6 445 011	5 738 934
XII. Deposits from banks	3 600 205	1 067 345	939 707	276 529
XIII. Deposits from customers	16 069 301	13 994 416	4 194 326	3 625 684
XIV. Equity	2 215 321	2 390 823	578 232	619 416
XV. Share capital	849 182	849 182	221 649	220 007
XVI. Number of shares	849 181 744	849 181 744	849 181 744	849 181 744
XVII. Book value per share (in PLN / EUR)	2.61	2.82	0.68	0.73
XVIII. Diluted book value per share (in PLN / EUR)	2.61	2.82	0.68	0.73
XIX. Capital adequacy ratio	13.63%	19.07%	13.63%	19.07%
XX. Earnings (losses) per ordinary share (in PLN / EUR)	0.35	0.67	0.09	0.17
XXI. Diluted earnings (losses) per ordinary share (in PLN / EUR)	0.35	0.67	0.09	0.17
XXII. Pledged or paid dividend per share (in PLN/EUR)	0.54	0.28	0.13	0.07

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I. INTRODUCTION AND ACCOUNTING PRINCIPLES

The below extended financial report, containing data of the Capital Group of Bank Millennium S.A. (the Group) and of Bank Millennium S.A. (the Bank) for the fourth quarter 2006, composed of the balance sheet, income statement, reports on changes to equities and cash flows, and additional explanatory notes, has been issued based on the International Financial Reporting Standards/ International Accounting Standards (the IFRS). The Group has implemented the IFRS as the financial reporting basis, pursuant to the Regulation of the European Parliament and Council no. 1606/2002/WE, and the guidelines of the amended Accounting Act, as of January 1, 2005, whilst the solo report of the Bank has been based on IFRS, as of January 1, 2006, pursuant to the decision of the General Shareholders Meeting of April 6, 2006. The financial report complies with the European Community-adopted IFRS, described in detail in the semi-annual 2006 consolidated report of the Group, published on September 29, 2006, and shall be considered a mid-year report under IAS 34.

Following provisions of IFRS 1 regulating the process of IFRS adaptation, the accounting principles binding on the reporting day should be applied to the opening balance sheet and to the presented comparable data. In result, the factual moment of the IFRS adoption was January 1, 2004, for the Group, and January 1, 2005, for the Bank.

For the requirements of the solo financial report, the Bank fully adjusted the 2005 comparable data to ensure compliance with the IFRS.

The most material changes implemented in the Bank (standalone report) in result of the IFRS implementation were as follows:

1. Equity method valuation

In accordance with the amended version of IAS 27 (in force since 1 January 2005) in a standalone report shares and stocks held by a reporting entity in subsidiaries must not be valued by equity method.

As they stand now the Polish Accounting Standards (Decree of the Minister of Finance dated 10 December 2001 concerning Special Principles of Accounting at Banks, as later amended) impose the obligation of employing such valuation methodology with respect to shares in subsidiaries.

Consequently, at moment of IFRS implementation in the preparation of the standalone financial statement the Bank discontinued equity method valuation introducing instead – with respect to shares in subsidiaries - the principle of valuation at cost in accordance with IAS 27 principles with impairment deductions, if any, pursuant to IAS 36

2. Impairment of credit exposures and other financial assets carried at amortized cost

In accordance with IAS 39, a financial asset or a group of financial assets is impaired (and losses are incurred) only if there is objective evidence for impairment due to one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows regarding this asset or group of assets.

If an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at original effective interest rate (economic value). For the purposes of the calculation of the provision against balance sheet exposures analysed collectively, inter alia, the probability of default (PD) method is applied. Such an approach is to facilitate the identification of: 1) incurred losses and 2) losses incurred but not reported (incurred but not reported provision – IBNR).

As at 1 January 2005, as a result of introducing the IFRS, the Bank identified the following adjustments:

- adjustment in the level of impairment provisions between the level of loan impairment provisions under IFRS and provisions under PAS (Polish Accounting Standards);
- loan impairment provisions for exposures analysed on a collective basis have been created, including provisions for losses incurred but not reported (IBNR) - which decrease the carrying amount of the loan exposures;
- general risk provisions under the Polish Accounting Standards has been released;
- the deferred tax effect adjustment was calculated on the difference between the amount of the general risk provisions and IBNR provision at the moment of IFRS implementation. This adjustment applies to banks preparing their financial statement under IFRS and follows from the fact that according to tax regulations being in force, the excess of the released or decreased general risk provision above IBNR provision made under IFRS cannot be treated as taxable income.
- interest on non-performing loans accrued, in accordance with the Polish Accounting Standards, on gross exposure amount and recognized as suspended interest in the balance sheet (at the moment of repayment recognized in the profit and loss) have been removed from the balance sheet, (as in accordance with IAS 39 interests on irregular exposures accrued by the Bank on net exposure values are recognised in the profit and loss), unsettled discount from receivables as well as unsettled part of credit commissions decrease of balance sheet value of credit exposures.

3. Separation of the balance-sheet category „non-current assets held for sale"

In accordance with IFRS 5 the Bank classifies as non-current assets held for sale such non-current assets whose carrying value will be recovered first of all by way of sale and not through their further use. This is the case when a particular asset (or their group) is available for immediate sale in its current state taking into account only the normal and customarily accepted terms of sale for this type of assets or its sale is highly likely, i.e. it was decided to carry out the plan of selling the given asset, an active programme was started to find a buyer and complete the selling plan. Moreover, such asset component is offered for sale at a price which is reasonable with respect to its current fair value and it is expected that the sale will be recognised as a sale completed within one year from the day of classifying a given asset in such category.

Non-current assets held for sale are recognised as the lower of the two: carrying value and fair value less the cost of selling such assets. Depreciation is not included in this category of assets.

4. Revaluation write-offs of goodwill

The Bank tested the value of goodwill disclosed in balance sheet estimating it for impairment. Consequently, impairment losses revaluing such assets were charged against the opening balance equity. The event had no impact on the consolidated report, because such goodwill items were recognised in the Bank's balance sheet as a result of group internal transactions and as such were eliminated from the Group's report.

Impact of IFRS implementation on the Bank's equity

In accordance with the adopted methodology for IFRS implementation adjustments resulting form the Bank's adoption of new standards are recognised in the opening balance of equity as of 1 January 2005.

It should be noted that this description does not incorporate changes in the Bank's equity resulting from the implementation of the effective interest rate methodology, which was also performed on 1 January 2005, but in accordance with the Polish Accounting Standards (this issue is given broader treatment in the Bank's financial statement for 2005, published on 10 March 2006). The requirement of using the effective interest rate methodology also follows from IFRS provisions.

The adjustments as of 1 January 2005 are as follows (numbers of adjustments correspond to descriptions presented above).

Changes of Accounting Principles resulting from IFRS implementation at the Bank.

Data in PLN thous.

	(1) Discontinuation of equity rights valuation of shares in subsidiaries	(2) Loan impairment	(3) Effect of valuation of asset recognized as 'non current assets held for sale'	(4) Revaluation write-offs of goodwill	**TOTAL**
Gross adjustment value	- 596 061	+ 21 509	- 5 499	- 5 805	**- 585 856**
Net adjustment value (including the deferred tax effect)	- 596 061	+ 19 575	- 5 499	- 5 805	**- 587 790**

II. INFORMATON ABOUT THE ACTIVITY OF BANK MILLENNIUM GROUP IN 2006

The consolidated net profit of Bank Millennium Capital Group in 2006 totaled PLN 300.8 million, showing a growth of 44% in recurrent terms versus the 2005 year. In 2005 the consolidated profit reached 567.1 million, while after adjusting for one-off items (extraordinary gains and depreciation) the recurrent profit stood at PLN 208.3 million.
The Management Board will propose to the Shareholders to pay PLN 0.17 dividend per share totalling PLN 144.4 million which represents 48% of the consolidated net profit for 2006 (and respectively 22% of non-consolidated net profit of the Bank), implying a dividend yield of 2.1% (calculated with the share price as of 29/12/2006).

2006 was a very positive year for the Group, with significant improvement in results, as proved by the following main indicators:

- ROE increased from 10.5% (on a recurrent basis) to 13.6%
- Net interest income: +9.8% y/y
- Net commissions income: +37.9% y/y
- Total operating income (on a recurrent basis): +24.8% y/y
- Total costs: +10.6 % y/y (or +7,1% if excluding re-branding and expansion projects impact in 2006 and extraordinary depreciation in 2005)
- Cost to income ratio dropped from 74.4% (on a recurrent basis) to 67.7%
- Impaired to total loans ratio dropped from 10% to 5.7%
- Solvency ratio at 13.6%

2006 was also a year in which the Group significantly increased its market share in selected products, in particular:

Mortgage loans:	From 7.1% to 9.7% in total portfolio (117% growth y/y)
	From 11% to 13.5% in new sales (98% growth y/y)
Credit cards:	From 3% to 4.1% in number of cards (108% growth y/y)
Mutual funds:	From 2.6% to 3.6% in assets under management (121% growth y/y)
Factoring:	From 4.1% to 7% in invoice turnover (123% growth y/y)
Leasing:	From 5.7% to 6.2% in new sales (28% growth y/y)

Thus the Bank approached (or in case of mortgage loans already met) its medium term targets, which were established in 2005. Also the targeted cross-selling ratio of three products per customer, set for 2007, was reached one year ahead of the initial plan.

Improving financial and business results of the Bank during previous year was appreciated by the capital market: Bank Millennium share price grew 51.4% (61.7% if adding exceptionally high dividend), thus outperforming WSE main indexes.

	29.12.2006	30.12.2005	Change
Bank Millennium	7.95 PLN	5.25 PLN	51.4%
Bank Millennium with dividend	8.49 PLN	5.25 PLN	61.7%
WIG Banks Index	70 858.4	46 787.8	51.4%
WIG 20 Index	3 285.5	2 655.0	23.7%
WIG Index	50 411.8	35 600.8	41.6%

In December 2006 there was a change in the shareholders structure of the Bank. After a successful tender offer, Millenniumbcp increased its stake in the Bank to 65.5%. At the same time, the free-float increased to 34.5% due to the sale of large holdings by three significant investors.

In 2006, the Bank started a 3 year long programme of extensive branch network expansion aiming at increasing its market share. As at 31.12.2006, the Bank had already opened 53 branches, of which 22 were brand new and 31 were branch transformations to the new standard. As assumed in the new distribution model, the Bank is opening branches of different size and formats, including new, big Financial Centers (22 opened so far). The branch expansion required the allocation of 512 new employees and caused inevitable increase in operating costs. The total investment for expansion (and rebranding) reached PLN 63.4 million in 2006. The plan for 2007 assumes 81 new branches (including 7 transformed) and PLN 91 million more investment. The whole project should be finished in the summer of 2008, that is half an year before the original plan.

The Bank is also advanced in implementing a new model for microbusinesses and SMEs. The smallest companies (yearly turnover up to PLN 3.2 million) are served by the retail network and the offer is based on standardized products and transactional services. Product offer was simplified also for SMEs and a new end-to-end credit process is being implemented. Finally, for both segments the new organization of sales forces is being deployed.

During the 4th Quarter 2006 and in the beginning of 2007, Bank Millennium Group got several awards, in particular:

The most attractive mortgage loan offer in Poland, according to „Rzeczpospolita" daily (26 October 2006). All banks offers were compared according to three main categories: moderate pricing, reasonable credit capacity requirements and friendliness.

„Top Rated Custodian in Poland" according to „Global Custodian Magazine"(Winter 2006 issue); Bank Millennium was awarded for the third consecutive year.

The Second Best on IPO market in 2006 award from the Warsaw Stock Exchange for Millennium Brokerage House (5 transactions worth PLN 540 million).

1. Financial results in 2006

Operating Income (PLN million)	2006 pro-forma	2005 pro-forma	Change
Net Interest Income *	681.0	620.1	+9.8%
Net Commissions Income	365.2	264.8	+37.9%
Other Non-Interest Income	221.4	596.1	-62.9%
Operating Income	1 267.6	1 481.1	-14.4%
Of which one-off results in 2005		*465.0*	
Operating Income without one-off	**1267.6**	**1016.0**	**24.8%**

(*) includes margin from all derivatives which hedge FX loan portfolio. From 1st January 2006, the Bank started to treat under hedge accounting principles the combination of mortgage floating rate foreign currency loans, floating rate PLN deposits and related cross currency interest rate swaps. The margin from these operations is reflected in Net Interest Income since aforementioned change. However, as this hedge accounting does not cover all the portfolio denominated in foreign currency, and additionally having in mind that until the end of 2005 the Bank has not applied formal hedge accounting (all interest from derivatives used to be shown in Result on Financial Operations then), the Bank provides pro-forma data. The pro-forma statement presents all interest from derivatives in Net Interest Income which allows better understanding of the real evolution of this item from economic point of view.

Net interest income (on a pro-forma basis) of Bank Millennium Group in 2006 amounted to PLN 681.0 million and was 9.8% higher than last year (PLN 620.1 million). Growing business volumes compensated for lower net interest margin (drop from 3.2% to 3.0% during 2006).

Net commissions income grew strongly by 37.9% y/y based on excellent growth of several products such as mutual funds, bancassurance and brokerage services. There was a visible acceleration of net commission income in the 4Q 2006, which is encouraging for year 2007.

Other non-interest income was lower versus previous year, in which one-off result of PLN 465 million connected with PZU sale was recognized.

Foreign exchange results almost doubled from PLN 93.5 million to 181.5 million in 2006, partly driven by increased transactions with corporate customers and FX denominated mortgage loans.

Net operating income reached PLN 1 267.6 million, which means an increase of 24.8% compared with 2005 on a recurrent basis (i.e. without one-offs). On an accounting basis, there was a decrease of 14.4%.

Operating Costs **(PLN million)**	**2006**	**2005**	**Change**
Personnel Costs	412.9	326.3	26.5%
Other Administrative Costs	382.9	343.8	11.4%
Depreciation & impairment of fixed assets	62.4	106.2	-41.2%
Total Operating Costs	858.2	776.2	10.6%
- Of which expansion and new image	*50.7*	--	
- Of which extraordinary depreciation	**--**	*22.1*	
Operating costs without expansion	**807.5**	**754.1**	**7.1%**

Total costs of Bank Millennium Group in 2006 were influenced by the branch expansion project and new image implementation. Excluding the costs connected with these items (PLN 50.7 million, of which 2.4 million depreciation), total costs would grow 7.1%. Staff costs increased 26,5% y/y, mainly due to higher bonuses paid to employees connected with better than planned business results (this factor represented 50% of the increase). Branch expansion was the main driver of the increase of personnel number by 605 employees during the year. At the end of December 2006, Bank Millennium Group employed 5 089 persons.

Despite the additional cost of the expansion, the Bank improved **cost to income ratio** from 74.4% year ago (excluding one-off items) to 67.7% level in 2006.

The Group created **net provisions** of PLN 38.6 million. This value includes a positive impact of PLN 18.4 million due to recovery of written-off receivables. Net provisions represented 32 b.p. over total net loans.

Pre-tax profit of Bank Millennium Group in 2006 stood at PLN 370.7 million with the **net profit** at PLN 300.8 million.

2. Business results

As at 2006 year end, **Total assets** of the Group were PLN 24 692 million, growing 11.5% versus 2005.

Key Balance Sheet Volumes **(PLN million)**	**31.12.2006**	**31.12.2005**	**Change**
Total Assets	**24 692**	**22 151**	**+11.5%**
Total Customer Funds (*)	19 613	15 606	+25,7%
- where Deposits	*16 069*	*13 994*	*+14,8%*
- where Mutual Funds	*3 543*	*1 603*	*+121,1%*
Total Loans to Customers	14 938	9 592	+55,7%
- where Mortgage loans	*7 595*	*3 495*	*+117,3%*
Equity	**2 215**	**2 391**	**-7.3%**

(*) include Customers' deposits, mutual funds and retail bonds

The value of **loans to customers** reached PLN 14 938 million and the annual growth (56% vs 2005) was one of the highest in the sector. This increase was driven mainly by **mortgage loans**, which grew 117% y/y to the level of PLN 7 595 million. Bank Millennium has now the third biggest mortgage portfolio with estimated market share of 10%. As far as new mortgages sold are concerned, Bank achieved in 4Q 2006 the best ever result with PLN 1 473 million disbursements and advanced during the year to the 2nd position with 13.5% market share. New regulatory recommendation introduced in July and convergence of interest rates between Poland and Europe caused a gradual increase of Polish denominated loans (to 29% in 4Q 2006).

Other retail loans (including loans in cards) doubled y/y reaching PLN 1 238 million. **Cash loans** were the main driver with 175% growth in new disbursements y/y and 626 million portfolio in December 2006. A dedicated sales force is now being built in order to expand also to non-customers of the Bank.

Developed product offer and growing share of direct sales force allowed to more than double (108% y/y) the number of **credit cards** sold by the Bank to 257 thousand. The Bank increased its market share from 3% in 2005 to 4.1% in 2006. ”Inspirations” benefits programme launched in 4Q 2006 allowed also an increase of the usage of cards sold.

Loans to companies grew much slower than retail loans (7.5% y/y). New leasing contracts grew 28% versus 2005 to PLN 1174 million, enabling to increase market share by 0.5 p.p. to 6.2%. Factoring was growing even faster with an increase of 123% y/y in terms of invoices turnover. Bank Millennium market share in this product grew strongly from 4.1% to 7%.

Total customers' funds, including mutual funds, reached PLN 19 613 million in 2006, which means an increase of 25.7% y/y. Total customer funds do not include PLN 499 million of third parties saving products sold to Bank's affluent customers. With these funds the growth would be 29%.

Mutual funds were the main driver of the customer funds growth: with 121% growth rate mutual funds reached the amount of PLN 3 543 million. This means the increase of the market share from 2.6% to 3.6% during the year. Especially successful was the “Superduet” product, which combines a short term time deposit with an investment fund (total sale of PLN 1.5 billion in 4Q 2006).

The number of individual Customers using the Bank's services via **internet** reached 435 thousand. Every three of four transfers of individuals are processed through this channel. Internet platform becomes also more and more important as a sales channel for different products: e.g. 19% in mutual funds.

3. Loans quality, liquidity and solvency

The **quality** of the Group's loan portfolio (calculated using International Financial Reporting Standards) significantly improved in 2006 versus 2005. Drop in total impaired loans (by 13%) plus strong growth of total loans brought the ratio of impaired to total loans down from 10% to 5.7%. Impaired loans coverage by provisions grew at the same time from 65% to 75%.

Loan quality indicators	31.12.2006	31.12.2005	Change
Total impaired loans (PLN million)	885	1 023	-13%
Impaired Loans over Total Loans	5.7%	10.0%	-4.3 p.p.
Total Provisions over Impaired Loans	75%	65%	10 p.p.

In order to fund and manage the **liquidity** risk of fast growing CHF denominated mortgage loan portfolio, Bank drew in 4Q 2006 a medium-term funding in the amount of CHF 555 million – the biggest syndicated loan granted so far to any Polish bank.

The **solvency ratio** of the Bank Millennium Group dropped significantly from 19.1% to 13.6% as a consequence of the remarkable business growth; however, it still remains on the comfortable level.

Share price indicators	29.12.2006	29.09.2006
Shares outstanding – period end	849 181 744	849 181 744
Closing price – period end (PLN)	7.95	6.40
Book value per share (PLN)	2.61	2.49
Earnings per share (PLN)	0.35	0.25
Return on equity - annualized (ROE)	13.6%	12.8%

III. CONSOLIDATED FINANCIAL DATA (GROUP)

ASSETS

Amount '000 PLN	**31.12.2006**	**31.12.2005**
I. Cash, balances with the Central Bank	965 834	510 805
II. Loans and advances to banks	1 123 131	2 602 815
III. Financial assets valued at fair value through profit and loss	3 742 760	3 304 175
IV. Hedging derivatives	108 027	14 826
V. Loans and advances to customers	14 937 743	9 591 642
VI. Investments securities	2 938 672	4 910 529
- available for sale	2 938 672	4 831 893
- held to maturity	0	78 636
VII. Investments in associates	0	1 926
VIII. Receivables from securities bought with sell-back clause	15 509	311 127
IX. Property, plant and equipment	297 040	232 123
X. Intangible assets	21 578	26 998
XI. Non-current assets held for sale	25 907	239 512
XII. Deferred income tax assets	130 359	157 485
XIII. Other assets	385 565	247 176
Total Assets	**24 692 125**	**22 151 139**

LIABILITIES

Amount '000 PLN	**31.12.2006**	**31.12.2005**
I. Deposits from banks	3 600 205	1 067 345
II. Financial liabilities valued at fair value through profit and loss	298 709	503 660
III. Hedging derivatives	14 506	22 273
IV. Deposits from customers	16 069 301	13 994 416
V. Liabilities from securities sold with buy-back clause	1 428 134	3 061 037
VI. Debt securities	5 705	69 436
VII. Provisions	10 400	16 468
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	1 436	132 186
X. Other liabilities	741 099	583 991
XI. Subordinated debt	307 309	309 504
Total Liabilities	**22 476 804**	**19 760 316**

EQUITY

I. Share capital	849 182	849 182
II. Share premium	471 709	471 709
III. Revaluation reserve	9 881	27 612
IV. Retained earnings	884 549	1 042 320
Total equity attributable to equity holders of the parent company	2 215 321	2 390 823
Minority interests	0	0
Total Equity	**2 215 321**	**2 390 823**
Total Liabilities and Equity	**24 692 125**	**22 151 139**

Capital adequacy ratio	**13,63%**	**19,07%**

Book value	**2 215 321**	**2 390 823**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2,61**	**2,82**

OFF-BALANCE SHEET ITEMS

Amount '000 PLN	**31.12.2006**	**31.12.2005**
Contingent liabilities granted and received	**6 442 924**	**5 744 551**
1. Liabilities granted:	5 960 867	5 092 292
a) financial	4 582 952	4 357 093
b) guarantees	1 377 915	735 199
2. Liabilities received:	482 057	652 259
a) financial	50 000	0
b) guarantees	432 057	652 259

CONSOLIDATED INCOME STATEMENT

Amount '000 PLN	**1.01.2006 - 31.12.2006**	**30.09.2006 - 31.12.2006**	**1.01.2005 - 31.12.2005**	**30.09.2005 - 31.12.2005**
I. Interest income	1 291 483	355 308	1 196 583	298 128
II. Interest expense	-640 982	-190 107	-716 506	-171 925
III. Net interest income	**650 501**	**165 201**	**480 077**	**126 203**
IV. Fee and commission income	420 500	129 968	293 503	75 422
V. Fee and commission expense	-55 322	-16 366	-28 657	-6 964
VI. Net fee and commission income	**365 178**	**113 602**	**264 846**	**68 458**
VII. Dividend income	2 573	0	2 192	114
VIII. Result on investment activity	2 278	449	495 301	414 771
IX. Result on financial instruments valued at fair value through profit and loss	63 852	41 795	135 648	19 870
X. Result from other financial instruments	-12 875	-5 121	-6 264	-3 735
XI. Foreign exchange profit	181 512	54 070	93 481	27 016
XII. Other operating income	84 482	27 097	74 625	34 267
XIII. Other operating expenses	-69 943	-25 695	-58 869	-20 667
XIV. Operating income	**1 267 558**	**371 398**	**1 481 037**	**666 297**
XV. General and administrative expenses	-795 736	-239 918	-670 030	-173 588
XVI. Impairment losses on financial assets	-38 647	-7 243	4 955	17 196
XVII. Impairment losses on non financial assets	-978	-626	-20 381	-12 258
XVIII. Depreciation and amortization	-61 465	-16 357	-85 838	-27 729
XIX. Operating expenses	**-896 826**	**-264 144**	**-771 294**	**-196 379**
XX. Operating profit	**370 732**	**107 254**	**709 743**	**469 918**
XXI. Share of profit of associates	0	0	0	0
XXII. Gross profit (loss)	**370 732**	**107 254**	**709 743**	**469 918**
XXIII. Corporate income tax	-69 945	-18 381	-142 689	-92 423
XXIV. Net profit (loss)	**300 787**	**88 873**	**567 054**	**377 495**
Attributable to:				
Equity holders of the parent	300 787	88 873	567 054	377 495
Minority interests	0	0	0	0
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0,35**	**0,10**	**0,67**	**0,44**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**2 390 823**	**849 182**	**471 709**	**27 612**	**0**	**1 042 320**
Changes in adopted accounting policies	0	0	0	0	0	0
Equity at the beginning of the period (opening balance) as restated to comparable data	**2 390 823**	**849 182**	**471 709**	**27 612**	**0**	**1 042 320**
- purchase/sale and valuation of available for sale financial assets	-18 330	0	0	-18 330	0	0
- effect of valuation of derivatives designated for future cash flows hedge	599	0	0	0	599	0
Net profit (loss) not recognized in consolidated income statement	-17 731	0	0	-18 330	599	0
- net income (loss) of the period	300 787	0	0	0	0	300 787
Total net profit (loss) of 2006	283 056	0	0	-18 330	599	300 787
- dividend payment	-458 558	0	0	0	0	-458 558
Equity at the end of the period (closing balance) 31.12.2006	**2 215 321**	**849 182**	**471 709**	**9 282**	**599**	**884 549**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total consolidated equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**1 986 840**	**849 182**	**507 460**	**21 367**	**0**	**608 831**
Changes in adopted accounting policies	68 455	0	0	0	0	68 455
Equity at the beginning of the period (opening balance) as restated to comparable data	**2 055 295**	**849 182**	**507 460**	**21 367**	**0**	**677 286**
- purchase/sale and valuation of available for sale financial assets	6 245	0	0	6 245	0	0
Net profit (loss) not recognized in consolidated income statement	6 245	0	0	6 245	0	0
- net income (loss) of the period	567 054	0	0	0	0	567 054
Total net profit (loss) of 2005	573 299	0	0	6 245	0	567 054
- dividend payment	-237 771	0	0	0	0	-237 771
- loss covered from share premium	0	0	-35 752	0	0	35 752
Equity at the end of the period (closing balance) 31.12.2005	**2 390 823**	**849 182**	**471 709**	**27 612**	**0**	**1 042 320**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Net profit (loss)	**300 787**	**567 054**
II. Adjustments for:	**-5 218 875**	**-209 071**
1. Minority profit (loss)	0	0
2. Interests in net income (loss) of associated companies	0	0
3. Depreciation and amortization	61 465	85 838
4. Foreign exchange (gains)/ losses	-2 288	-21 464
5. Dividends	-2 573	-2 192
6. Changes in provisions	-6 068	-17 927
7. Result on sale and liquidation of investing activity assets	-20 770	-454 728
8. Change in financial assets valued at fair value through profit and loss	-1 720 291	55 009
9. Change in loans and advances to banks	236 099	-296 108
10. Change in loans and advances to customers	-5 350 235	-2 484 080
11. Change in receivables from securities bought with sell-back clause	295 618	-230 477
12. Change in financial liabilities valued at fair value through profit and loss	-212 718	236 394
13. Change in deposits from banks	1 185 909	672 668
14. Change in deposits from customers	2 074 885	606 272
15. Change in liabilities from securities sold with buy-back clause	-1 632 903	1 655 537
16. Change in debt securities	-46 600	-128 354
17. Change in income tax settlements	66 812	161 446
18. Income tax paid	-166 277	-134 078
19. Change in other assets and liabilities	18 675	88 051
20. Other	2 385	-878
III. Net cash flows from operating activities	**-4 918 088**	**357 983**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Inflows:	**6 691 299**	**7 260 258**
1. Proceeds form sale of property, plant and equipment and intangible assets	189 275	48 071
2. Proceeds form sale of shares in associates	0	175
3. Proceeds form sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds form sale of investment financial assets	6 499 451	7 161 283
5. Other	2 573	50 729
II. Outflows:	**-4 533 659**	**-7 400 919**
1. Acquisition of property, plant and equipment and intangible assets	-75 461	-17 506
2. Acquisition of shares in associates	0	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-4 458 198	-7 099 913
5. Other	0	-283 500
III. Net cash flows from investing activities	**2 157 640**	**-140 661**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2006 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Inflows:	**1 328 936**	**22 836**
1. Long-term bank loans	1 323 231	0
2. Issue of debt securities	5 705	22 836
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	0
II. Outflows:	**-481 394**	**-1 220 516**
1. Repayment of long-term bank loans	0	-803 985
2. Redemption of debt securities	-22 836	-178 760
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	-458 558	-237 771
7. Other	0	0
III. Net cash flows from financing activities	**847 542**	**-1 197 680**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 912 906**	**-980 358**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3 555 653**	**4 536 011**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 642 747**	**3 555 653**

ADDITIONAL EXPLANATIONS ON FINANCIAL DATA

HEDGE ACCOUNTING

Since January 1, 2006 the Bank (and consequently the Group) set up a formal hedging relationship (hedge accounting) against the risk of cash flow fluctuations. In this cash flow hedging, the FX-denominated mortgage portfolio and PLN deposit portfolio that finances the previous one were set as hedged items, whereas derivatives are hedging instruments. Importantly, since implementation of IFRS, pursuant to IAS 39, the effect of valuation of all and any derivative instruments, even those concluded for non-speculative, hedging purpose, for which the Bank (Group) does not apply formal hedge accounting (so automatically, the Bank classifies them to the portfolio of financial instruments held for trading), is presented in result on trading activities. Application of such methodology resulted in lack of consistency in presentation of the above instruments in the income statement as the interest result on derivative instruments concluded to secure FX liquidity – from the economic point of view – constitutes an interest margin component (it allows to match interest income from FX loans with the cost of financing resulting from the PLN deposit portfolio). Implementation of formal hedge accounting allowed presentation of the majority transactions in question in the income statement pursuant to their economic sense.

Importantly, formal implementation of hedge accounting occurred at the beginning of the year so in the income statement for 2005, both for the Bank and the Group, (comparable data) the total effect of valuation of derivative instruments (accrued interest included) is presented in the result on trading activities (to ensure comparability of data for the purpose of description of financial results contained in Chapter II a pro-forma income statement was developed, capturing all the income and cost of interest resulting from derivative instruments in the interest margin).

NON-CURRENT ASSETS HELD FOR SALE

Decrease in the balance of non-current assets held for sale, which was observed in the analyzed period, results mostly from the Bank's execution of the transaction to sell right of perpetual usufruct of the land in Wilanów, whereas the net value of this asset item in the consolidated statement totalled PLN 170 613 thousand. Also, for the fact that in case of some real estates classified in the balance sheet as "non-current assets held for sale" when the IFRS 5 were introduced, Jan 1, 2005, the sale process was not closed in 2006, the assets were moved back to the balance sheet "fixed assets" category. Application of such methodology is driven by provisions of the IFRS 5 that define the time limits for fixed assets posting under the balance sheet category "non-current assets held for sale".

RATES USED TO CONVERT FINANCIAL DATA TO EURO

The following FX rates were used to convert figures to EURO:

- for balance sheet items – 3.8312 PLN/EURO rate from 31 Dec 2006 (for comparable data: 3.8598 PLN/EURO),
- for profit and loss account items for the period between 1 Jan – 31 Dec 2006 – 3.8991 PLN/EURO rate, computed as average of rates at ends of months covered by the report (for comparable data: 4.0233 PLN/EURO).

IV. FINANCIAL DATA (BANK)

ASSETS

Amount '000 PLN	**31.12.2006**	**31.12.2005**
I. Cash, balances with the Central Bank	965 817	510 785
II. Loans and advances to banks	1 123 131	2 602 815
III. Financial assets valued at fair value through profit and loss	3 742 385	3 302 666
IV. Hedging derivatives	108 027	14 826
V. Loans and advances to customers	14 109 193	8 979 645
VI. Investments securities	2 929 896	4 909 751
- available for sale	2 929 896	4 831 115
- held to maturity	0	78 636
VII. Investments in associates	93 131	94 142
VIII. Receivables from securities bought with sell-back clause	15 509	331 155
IX. Property, plant and equipment	263 910	224 184
X. Intangible assets	20 936	26 352
XI. Non-current assets held for sale	12 086	231 740
XII. Deferred income tax assets	85 567	89 121
XIII. Other assets	900 375	256 862
Total Assets	**24 369 963**	**21 574 044**

LIABILITIES

Amount '000 PLN	**31.12.2006**	**31.12.2005**
I. Deposits from banks	3 600 205	1 067 345
II. Financial liabilities valued at fair value through profit and loss	298 744	504 185
III. Hedging derivatives	14 506	22 273
IV. Deposits from customers	16 195 022	14 084 763
V. Liabilities from securities sold with buy-back clause	1 477 686	3 472 115
VI. Debt securities	5 705	32 587
VII. Provisions	10 400	15 843
VIII. Deferred income tax liabilities	0	0
IX. Current tax liabilities	0	0
X. Other liabilities	631 338	422 767
XI. Subordinated debt	307 309	309 504
Total Liabilities	**22 540 915**	**19 931 382**

EQUITY

I. Share capital	849 182	849 182
II. Share premium	472 343	472 343
III. Revaluation reserve	9 881	27 617
IV. Retained earnings	497 642	293 520
Total Equity	**1 829 048**	**1 642 662**
Total Liabilities and Equity	**24 369 963**	**21 574 044**

Capital adequacy ratio	**11,92%**	**19,07%**

Book value	**1 829 048**	**1 642 662**
Number of shares	**849 181 744**	**849 181 744**
Book value per share (in PLN)	**2,15**	**1,93**

OFF-BALANCE SHEET ITEMS

Amount '000 PLN	**31.12.2006**	**31.12.2005**
Contingent liabilities granted and received	**6 583 398**	**6 003 562**
1. Liabilities granted:	6 045 675	5 238 436
a) financial	4 666 790	4 466 171
b) guarantees	1 378 885	772 265
2. Liabilities received:	537 723	765 126
a) financial	50 000	43 379
b) guarantees	487 723	721 747

INCOME STATEMENT

Amount '000 PLN	**1.01.2006 - 31.12.2006**	**30.09.2006 - 31.12.2006**	**1.01.2005 - 31.12.2005**	**30.09.2005 - 31.12.2005**
I. Interest income	1 161 456	319 148	1 137 913	271 755
II. Interest expense	-655 826	-193 172	-778 756	-187 537
III. Net interest income	**505 630**	**125 976**	**359 157**	**84 218**
IV. Fee and commission income	327 538	96 174	238 364	59 655
V. Fee and commission expense	-46 618	-13 617	-23 105	-6 046
VI. Net fee and commission income	**280 920**	**82 557**	**215 259**	**53 609**
VII. Dividend income	508 936	5 225	373 791	152 507
VIII. Result on investment activity	3 549	1 721	31 888	-380
IX. Result on financial instruments valued at fair value through profit and loss	63 843	42 025	-150 018	-265 175
X. Result from other financial instruments	-12 875	-5 121	-6 264	-3 735
XI. Foreign exchange profit	177 419	55 624	84 696	25 718
XII. Other operating income	39 500	9 224	33 451	19 392
XIII. Other operating expenses	-35 071	-18 441	-11 232	-5 088
XIV. Operating income	**1 531 851**	**298 790**	**930 728**	**61 066**
XV. General and administrative expenses	-728 610	-220 648	-602 493	-155 034
XVI. Impairment losses on financial assets	-42 060	-9 424	218 209	218 375
XVII. Impairment losses on non financial assets	-1 130	1 931	-20 831	-16 331
XVIII. Depreciation and amortization	-58 287	-15 302	-82 490	-26 616
XIX. Operating expenses	**-830 087**	**-243 443**	**-487 605**	**20 394**
XX. Operating profit	**701 764**	**55 347**	**443 123**	**81 460**
XXI. Share of profit of associates	0	0	0	0
XXII. Gross profit (loss)	**701 764**	**55 347**	**443 123**	**81 460**
XXIII. Corporate income tax	-39 082	-7 934	-16 865	14 745
XXIV. Net profit (loss)	**662 682**	**47 413**	**426 258**	**96 205**
Weighted average number of ordinary shares	849 181 744	849 181 744	849 181 744	849 181 744
Earnings (losses) per ordinary share (in PLN)	**0,78**	**0,06**	**0,50**	**0,11**

STATEMENT OF CHANGES IN EQUITY

	Total equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2006	**1 642 662**	**849 182**	**472 343**	**27 617**	**0**	**293 520**
- purchase/sale and valuation of available for sale financial assets	-18 330	0	0	-18 330	0	0
- effect of valuation of derivatives designated for future cash flows hedge	599	0	0	0	599	0
Net profit (loss) not recognized in income statement	-17 731	0	0	-18 330	599	0
- net income (loss) of the period	662 678	0	0	0	0	662 678
Total net profit (loss) of 2006	644 947	0	0	-18 330	599	662 678
- dividend payment	-458 558	0	0	0	0	-458 558
Equity at the end of the period (closing balance) 31.12.2006	**1 829 051**	**849 182**	**472 343**	**9 287**	**599**	**497 640**

STATEMENT OF CHANGES IN EQUITY

	Total equity	Share capital	Share premium	Revaluation reserve on available for sale financial assets	Revaluation reserve on derivatives designated for future cash flows hedge	Retained earnings
Equity at the beginning of the period (opening balance) 01.01.2005	**1 447 930**	**849 182**	**508 095**	**21 372**	**0**	**69 281**
- purchase/sale and valuation of available for sale financial assets	6 245	0	0	6 245	0	0
Net profit (loss) not recognized in income statement	6 245	0	0	6 245	0	0
- net income (loss) of the period	426 258	0	0	0	0	426 258
Total net profit (loss) of 2005	432 503	0	0	6 245	0	426 258
- dividend payment	-237 771	0	0	0	0	-237 771
- loss covered from share premium	0	0	-35 752	0	0	35 752
Equity at the end of the period (closing balance) 31.12.2005	**1 642 662**	**849 182**	**472 343**	**27 617**	**0**	**293 520**

A. CASH FLOWS FROM OPERATING ACTIVITIES

Amount '000 PLN	**1.01.2005 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Net profit (loss)	**662 682**	**426 258**
II. Adjustments for:	**-5 570 890**	**-629 283**
1. Interests in net income (loss) of associated companies	0	0
2. Depreciation and amortization	58 287	82 490
3. Foreign exchange (gains) losses	-2 253	-21 201
4. Dividends	-508 936	-373 791
5. Changes in provisions	-5 443	-15 938
6. Result on sale and liquidation of investing activity assets	-9 480	261 191
7. Change in financial assets valued at fair value through profit and loss	-1 721 401	42 441
8. Change in loans and advances to banks	236 099	-296 108
9. Change in loans and advances to customers	-5 121 318	-2 311 117
10. Change in receivables from securities bought with sell-back clause	315 646	-250 504
11. Change in financial liabilities valued at fair value through profit and loss	-213 210	214 656
12. Change in deposits from banks	1 185 909	672 661
13. Change in deposits from customers	2 110 259	-592 904
14. Change in liabilities from securities sold with buy-back clause	-1 994 429	2 025 901
15. Change in debt securities	-9 751	-85 298
16. Change in income tax settlements	7 924	19 609
17. Income tax paid	0	0
18. Change in other assets and liabilities	98 174	-1 521
19. Other	3 033	150
III. Net cash flows from operating activities	**-4 908 208**	**-203 025**

B. CASH FLOWS FROM INVESTING ACTIVITIES

Amount '000 PLN	**1.01.2005 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Inflows:	**6 693 010**	**7 831 837**
1. Proceeds form sale of property, plant and equipment and intangible assets	163 437	8 881
2. Proceeds form sale of shares in associates	150	175
3. Proceeds form sale of financial assets valued at fair value through profit and loss	0	0
4. Proceeds form sale of investment financial assets	6 503 863	6 499 224
5. Other	25 560	1 323 557
II. Outflows:	**-4 545 247**	**-7 411 824**
1. Acquisition of property, plant and equipment and intangible assets	-44 776	-20 622
2. Acquisition of shares in associates	-950	0
3. Acquisition of financial assets valued at fair value through profit and loss	0	0
4. Acquisition of investment financial assets	-4 453 521	-7 107 702
5. Other	-46 000	-283 500
III. Net cash flows from investing activities	**2 147 763**	**420 013**

C. CASH FLOWS FROM FINANCING ACTIVITIES

Amount '000 PLN	**1.01.2005 - 31.12.2006**	**1.01.2005 - 31.12.2005**
I. Inflows:	**1 328 936**	**24 012**
1. Long-term bank loans	1 323 231	0
2. Issue of debt securities	5 705	22 836
3. Increase in subordinated debt	0	0
4. Net proceeds from issues of shares and additional capital paid-in	0	0
5. Other	0	1 176
II. Outflows:	**-481 394**	**-1 220 583**
1. Repayment of long-term bank loans	0	-803 985
2. Redemption of debt securities	-22 836	-178 760
3. Decrease in subordinated debt	0	0
4. Issue of shares expenses	0	0
5. Redemption of shares	0	0
6. Dividends paid and other payments to owners	-458 558	-237 771
7. Other	0	-67
III. Net cash flows from financing activities	**847 542**	**-1 196 571**

D. NET CASH FLOWS, TOTAL (A III+B III+C III)	**-1 912 903**	**-979 583**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3 555 633**	**4 535 216**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD (D+E)	**1 642 730**	**3 555 633**

ADDITIONAL EXPLANATIONS ON FINANCIAL DATA

HEDGE ACCOUNTING

On January 1, 2006 a hedging relationship was established at the Bank hedging against fluctuations of cash flows and it is presented in the additional explanations to the financial data in Chapter III.

WRITE-OFF OF UNCOLLECTIBLE RECEIVABLES AGAINST PROVISIONS

Between Jan 1 and Dec 31 2006 the Bank wrote off uncollectible receivables against created provisions at PLN 16 505 thousand.

TRANSFORMATION OF COMPARABLE DATA RESULTING FROM IMPLEMENTATION OF IFRS

Bank's balance sheet as of December 31, 2005 –PAS – IFRS conversion

The table below shows the changes made in the last published report of the Bank prepared in accordance with the Polish Accounting Standards as of December 31, 2005 in order to ensure data comparability for the needs of this report.

ASSETS

Amount '000 PLN	31.12.2005 PAS	Number of adjustment(s)	Value of adjustment(s)	31.12.2005 IFRS
Cash, balances with the Central Bank	510 785			510 785
Loans and advances to banks	2 602 815			2 602 815
Financial assets valued at fair value through profit and loss	3 504 760	(5) (7)	-202 094	3 302 666
Hedging derivatives	14 826			14 826
Loans and advances to customers	9 370 832	(2) (4)	-391 187	8 979 645
Investment financial assets	4 909 751			4 909 751
- available for sale	4 831 115			4 831 115
- held to maturity	78 636			78 636
Investments in associates	854 091	(1)	-759 949	94 142
Receivables from securities bought with sell-back clause	331 155			331 155
Property, plant and equipment	466 578	(3)	-233 003	233 575
Intangible assets	30 298	(8)	-3 946	26 352
Non current assets held for sale	0	(3)	222 349	222 349
Deferred income tax assets	270 432	(2) (5) (6)	-181 311	89 121
Other assets	198 700	(3) (7)	58 162	256 862
Total Assets	**23 065 023**		**-1 490 979**	**21 574 044**

LIABILITIES

Amount '000 PLN	31.12.2005 PAS	Number of adjustment(s)	Value of adjustment(s)	31.12.2005 IFRS
Deposits from banks	1 067 345			1 067 345
Financial liabilities valued at fair value through profit and loss	706 399	(5)	-202 214	504 185
Hedging derivatives	22 273			22 273
Deposits from customers	14 084 763			14 084 763
Liabilities from securities sold with buy-back clause	3 472 115			3 472 115
Debt securities	32 587			32 587
Provisions	224 944	(1) (2)	-209 101	15 843
Deferred income tax liabilities	184 967	(2) (5) (6)	-184 967	0
Current tax liabilities	0			0
Other liabilities	613 809	(2) (4) (7)	-191 042	422 767
Subordinated debt	309 504			309 504
Total Liabilities	**20 718 706**		**-787 324**	**19 931 382**

EQUITY

Share capital	849 182			849 182
Share premium	472 343			472 343
Revaluation reserve	58 591	(9)	-30 974	27 617
Retained earnings	966 201	(1) (2) (3) (8) (9)	-672 681	293 520
Total Equity	**2 346 317**		**-703 655**	**1 642 662**
Total Liabilities and Equity	**23 065 023**		**-1 490 979**	**21 574 044**

(1) Discontinuing equity method valuation with respect to shares in subsidiaries (as described in *Chapter I)*

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Investments in subsidiaries	(1)	-759 949
Provisions	(1)	-23 706
Retained earnings	(1)	-736 243

(2) Adjustments resulting from the Bank's implementation of the methodology of calculating impairment of credit exposures – issue presented in *Chapter I*

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Loans and advances to customers	(2)	-195 033
Deferred income tax assets	(2)	6 053
Provisions	(2)	-185 395
Deferred income tax liabilities	(2)	2 397
Other liabilities	(2)	-48 015
Retained earnings	(2)	42 033

(3) Distinguishing of the balance sheet category „non-current assets held for sale" as of 1 January 2005 (issue described in Chapter I), and classifying (pursuant to IAS 17) of the Bank's land usufruct as operational leasing; in the balance sheet as other assets (previously tangible fixed assets).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Property, plant and equipment	(3)	-233 003
Non current assets held for sale	(3)	222 349
Other assets	(3)	5 155
Retained earnings	(3)	-5 499

(4) Exclusion from the balance sheet of suspended interest calculated according to PAS, reduction of the value of receivables by a discount to be settled due to the application of IAS 39 principles for calculating and recording of loan impairment. The issue is presented in Chapter I.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Loans and advances to customers	(4)	-196 154
Other liabilities	(4)	-196 154

(5) Presentation of derivative instruments in the balance sheet broken down into particular instruments (instruments with positive fair value are recorded in assets and with negative value in liabilities). Previously, an analogous breakdown was performed on the basis of derivative portfolios (types).

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Financial assets valued at fair value through profit and loss	(5)	-202 214
Deferred income tax assets	(5)	-38 421
Financial liabilities valued at fair value through profit and loss	(5)	-202 214
Deferred income tax liabilities	(5)	-38 421

(6) In accordance with IAS 12, the Bank offset deferred income tax assets with deferred income tax liabilities.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Deferred income tax assets	(6)	-148 943
Deferred income tax liabilities	(6)	-148 943

(7) Implementation of the method of accounting for standardised buy and sell financial asset transactions on the day of concluding a transaction instead of the previously employed method based on the transaction settlement date.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Financial assets valued at fair value through profit and loss	(7)	120
Other assets	(7)	53 007
Other liabilities	(7)	53 127

(8) Recording of goodwill valuation (adjustment described in Chapter I)

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Intangible assets	(8)	-3 946
Retained earnings	(8)	-3 946

(9) Reclassification of revaluation reserve for fixed assets to retained earnings. As a result of IFRS 1 adoption with regards to applying the carrying amount of real property as a deemed cost at the IFRS transition date, revaluation reserve for fixed assets was transferred to retained earnings.

Quantification:

BALANCE SHEET ITEM	NUMBER OF ADJUSTMENT	VALUE OF ADJUSTMENT
Revaluation reserve	(9)	-30 974
Retained earnings	(9)	30 974

2005 Profit & Loss Account – transformation from PAS to IFRS

The below table presents changes introduced in the latest published Profit & Loss Account of the Bank, issued under PAS for the year of 2005, with the aim to ensure data comparability for this report.

PROFIT & LOSS ACCOUNT

in PLN thousands	Jan 1–Dec 31 2005 PAS	Adj. no.	Adj. value	Jan 1–Dec 31 2005 IFRS
Interest income	1 117 880	(2) (5) (7)	20 033	1 137 913
Interest expenses	-785 267	(5)	6 511	-778 756
Net interest income	**332 613**		**26 544**	**359 157**
Commissions income	238 364			238 364
Fees and commissions expenses	-23 105			-23 105
Net commissions income	**215 259**			**215 259**
Income on dividends	373 791			373 791
Result on investment financial assets	31 888			31 888
Result on financial instruments valued at fair value through Profit & Loss Account	-139 914	(5) (7)	-10 104	-150 018
Result on other financial instruments	-6 264			-6 264
FX income	84 696			84 696
Other operating income	78 392	(4) (6)	-44 941	33 451
Other operating expenses	-17 593	(4)	6 361	-11 232
Operating income	**952 868**		**-22 140**	**930 728**
Costs of activity	-598 672	(5)	-3 821	-602 493
Costs on impairment of financial assets	164 535	(2) (6)	53 674	218 209
Costs on impairment of non-financial assets	-20 831			-20 831
Amortization	-84 348	(3)	1 858	-82 490
Operating expenses	**- 539 316**		**51 711**	**-487 605**
Net operating income	**413 552**		**29 571**	**443 123**
Share of profits of associates	140 167	(1)	-140 167	0
Gross financial income	**553 719**		**-110 596**	**443 123**
Income tax	-11 600	(2)	-5 265	-16 865
Net financial income	**542 119**	(1) (2) (3)	**-115 861**	**426 258**

(1) Impact of the balance sheet adjustment no. (1) onto the profit and loss account

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Share in earnings of subordinated units	(1)	-140 167
Net financial income	(1)	-140 167

(2) Impact of the balance sheet adjustment no. (2) onto the profit and loss account

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(2)	12 619
Costs on impairment of financial assets	(2)	15 094
Income tax	(2)	- 5 265
Net financial income	(2)	22 448

(3) Impact of the balance sheet adjustment no. (3) onto the profit and loss account

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Amortization	(3)	1 858
Net financial income	(3)	1 858

(4) In adjustment of the presentation method of *Result on sale and liquidation of fixed assets* to the IFRS, *Other operating expenses and income* were reduced by the same amount (previously *Other operating income* included total income from these operations, while *Other operating expenses* covered assets' balance sheet value – now adequately only the net income on the sale transaction).

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Other operating income	(4)	- 6 361
Other operating expenses	(4)	6 361

(5) Reclassification of hedging transactions valuation from *Interest margin* to *Costs of activity*. Since Jan 1, 2005, Net interest income on SWAPs hedging FX space lease transactions has been presented under *Costs of activity*, moved from *Interest margin*.

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(5)	-2 502
Interest expenses	(5)	6 511
Result on financial instruments valued at fair value through Profit & Loss Account	(5)	-188
Costs of activity	(5)	-3 821

(6) Reclassification of amounts of recovered credit receivables (previously written off against provisions), which under PAS were recognized in *Other operating income*, to *Impairment charges*.

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Other operating income	(6)	-38 580
Costs on impairment of financial assets	(6)	38 580

(7) Reclassification of settlement of discount/premium on coupon securities, classified as *Trading portoflio*, from *Interest margin* to *Result on trading*

Quantification:

PROFIT&LOSS ACCOUNT ITEM	ADJUSTMENT NO.	ADJUSTMENT VALUE
Interest income	(7)	9 916
Result on financial instruments valued at fair value through Profit & Loss Account	(7)	-9 916

V. FINANCIAL INFORMATION BROKEN DOWN INTO ACTIVITY SEGMENTS

Business Segments

The activity of Group Bank Millennium is conducted through different business lines offering specific products and services targeted to approach the following market segments:

a) Retail Segment

This segment includes the following business areas: mass market individuals, affluent individuals and micro businesses of individual entrepreneurs. The activity of the above mentioned areas is developed through the disposal of a complete panoply of banking products, complemented by specialized products developed by the Group's subsidiary companies. In the area of credit, mortgage loans, consumer loans, credit cards loans and leasing for small business constitute the major drives of volumes increase. On the side of customer funds, the main products are: current accounts, term deposits, mutual funds and structured products. Bancassurance products are also commercialised in this segment, especially together with loans and credit cards. Offer was recently enriched with selective mutual funds of other financial intermediaries and international investment funds.

b) Corporate Segment

The corporate segment includes the commercial activity made with SME, big and large corporate companies, as well as with local governments and other public entities. The commercial activity in the corporate segment is driven by a high quality base offer of typical banking products (working capital loans, investments loans, current accounts, term deposits) complemented by a modern set of cash management, treasury and derivative products. Cross selling of leasing and trade finance products is very active for Corporate Clients.

c) Investment and treasury activities

The segment of investment activities consists of the Group activities in investment banking and brokerage, capital investment for the bank own account, including as well interbank and debt securities market operations that are not allocated to other segments.

d) Not allocated incomes and costs (other) in 2005

Group's results in 2005 were strongly affected by the following events:

- Additional income resulting from settlement of PZU shares sale;

- Additional depreciation and impairment provision from non-financial assets resulting from Management decision based on evaluation of economic and useful life of tangible and intangible assets according to IFRS.

Tax charge for the period is presented only at total Group level.

Geographical segments

Group Bank Millennium operates exclusively on territory of the Republic of Poland and no significant differences in risk were identified as regarding the geographical location of its outlets. Therefore, the Group does not present financial statements with a breakdown into geographical areas.

Accounting polices

Accounting policies applied in segment reporting are in accordance with the International Accounting Standard 14.
For each segment there is determined gross result, including:

- Interest result calculated on the basis of external interest from working assets and liabilities of the segment and internal interest income or cost from allocated assets / liabilities, measured using internal transfer interest rates based on market interest rates.
- Net commissions income
- Other income from financial operations and FX transactions (mostly affecting Investment and Treasury operations) like dividend income, result on investment and trading activity, income from FX transactions, result from other financial instruments including derivatives.
- Other operating cost and income
- Provisions for impairment of financial and non financial assets
- Share of the segment in personnel and administrative costs
- Share of the segment in depreciation

The segment's assets and liabilities are operational assets and liabilities used by that segment in its operating activities, allocated to a particular business segment based on rational assumptions. Gap between assets and liabilities in each business segment is covered by money market assets/liabilities and securities. Assets /liabilities of Treasury and Investment banking include money market assets /liabilities, securities and other assets/liabilities not allocated to commercial segments. Allocation of capital is based on risk weighted assets of each segment**.**

As at December 31, 2006, Bank Millennium Group is presenting assets for resale, according with IFRS 5, at value of PLN 25.9 million (at December 31, 2005 of PLN 239.5 million). Profit from sale of major item (land in Wilanów - PLN 170.6 million value as at December 31, 2005) realised in 2006 is presented as other income in Treasury and Investment Banking. Other buildings and land, that as result of the optimisation process will not be used in further banking activity are shown as assets in Retail Banking. Fixed assets for resale from terminated leasing contracts are part of Corporate Banking assets.

Income statement

1.01.2006 - 31.12.2006 PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	380 317	191 322	78 863	0	650 501
external interest income	429 369	327 348	534 766	0	1 291 484
external interest cost	-240 386	-148 274	-252 322	0	-640 982
External interest income less cost	188 983	179 074	282 444	0	650 502
internal income	361 457	221 366	-582 823	0	0
internal cost	-170 124	-209 118	379 241	0	0
Internal income less cost allocated	191 333	12 248	-203 582	0	0
Net commission income	237 100	85 689	42 389	0	365 178
Dividends, Result from financial operations and FX transactions	116 879	41 044	79 417	0	237 340
Other income and costs	214	34	14 291		14 539
Operating Income	**734 510**	**318 089**	**214 960**	**0**	**1 267 558**
Staff costs	-274 786	-96 956	-41 140	0	-412 882
Other administrative costs	-286 844	-70 940	-25 071	0	-382 854
Impairment cost of financial assets	-74 842	30 939	5 256	0	-38 647
Impairment cost of non financial assets			-978	0	-978
Depreciation	-51 349	-11 542	1 426	0	-61 465
Operating costs	**-687 821**	**-148 499**	**-60 506**	**0**	**-896 826**
Operating Profit	**46 689**	**169 590**	**154 452**	**0**	**370 732**
Profit before taxes	**46 689**	**169 590**	**154 452**	**0**	**370 732**
Income taxes					-69 945
Net profit					**300 787**

Balance sheet 31.12.2006
PLN thousand

Assets	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total / consolidated
Segment assets	10 226 125	5 427 601	9 038 399	0	24 692 125
Assets allocated to segment	2 366 936	4 024 965	-6 391 901	0	0
Total	12 593 060	9 452 567	2 646 498	0	24 692 125
Liabilities					
Segment Liabilities	9 652 091	7 596 229	5 228 483	0	22 476 804
Liabilities allocated to segment	2 330 022	1 366 733	-3 696 754	0	0
Capital allocated to segment	610 948	489 604	1 114 769	0	2 215 321
Total	12 593 060	9 452 567	2 646 498	0	24 692 125

Income statement

1.01.2005 - 31.12.2005 PLN thousand	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total consolidated
Net interest income	303 415	137 249	14 472	24 941	480 077
external interest income	240 501	297 467	633 674	24 941	1 196 583
external interest cost	-334 688	-209 544	-172 275	0	-716 506
External interest income less cost	-94 187	87 923	461 399	24 941	480 077
internal income	471 039	268 928	-739 966	0	0
internal cost	-73 437	-219 602	293 040	0	0
Internal income less cost allocated	397 601	49 325	-446 926	0	0
Net commission income	133 478	101 635	29 734	0	264 846
Result from financial operations and Fx transactions	48 709	39 752	164 668	467 229	720 358
Other income and costs	0	0	15 756	0	15 756
Operating Income	**485 601**	**278 636**	**224 630**	**492 170**	**1 481 037**
Staff costs	-186 616	-107 749	-31 901	0	-326 266
Other administrative costs	-215 457	-87 345	-40 962	0	-343 764
Impairment cost of financial assets	-39 492	44 447	0	0	4 955
Impairment cost of non financial assets	0	0	2 211	-22 592	-20 381
Depreciation	-28 511	-37 508	-8 877	-10 942	-85 838
Operating costs	**-470 076**	**-188 155**	**-79 530**	**-33 533**	**-771 294**
Operating Profit	**15 525**	**90 480**	**145 100**	**458 637**	**709 743**
Profit before taxes	**15 525**	**90 480**	**145 100**	**458 637**	**709 743**
Income taxes					-142 689
Net profit					**567 054**

Balance Sheet 31.12.2005

PLN thousand

Assets	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other	Total / consolidated
Segment assets	5 369 625	5 232 280	11 549 233	0	22 151 139
Assets allocated to segment	3 874 009	3 539 386	-7 413 395	0	0
Total	9 243 634	8 771 666	4 135 838	0	22 151 139
Liabilities					
Segment Liabilities	8 698 006	8 220 853	2 841 457	0	19 760 316
Liabilities allocated to segment	248 869	147 119	-395 988	0	0
Capital allocated to segment	296 759	403 695	1 690 369	0	2 390 823
Total	9 243 634	8 771 666	4 135 838	0	22 151 139

VI. DIVIDEND FOR 2005 AND 2006

Following the Resolution no. 4 adopted by the General Meeting of Shareholders of the Bank on April 6, 2006, in the matter of distribution of profits for 2005, the General Meeting of Shareholders decided to dedicate PLN 458 558 141,76 out of the 2005 net profits. The Bank's shareholding capital amounts to PLN 849 181 744, and is divided into 849 181 744 shares, giving a dividend payout at 0.54 per share. The dividend was paid on July 19, 2006, payable to those who were shareholders at July 5, 2006.

Following its previously-declared dividend policy, the Management Board of the Bank shall propose to the Shareholders to pay the 2006 dividend at PLN 0.17 per share, totalling PLN 144.4 million, or 48% of the 2006 consolidated net income (22% of the stand-alone result of the Bank, respectively). The dividend yield would be 2.1% (at share price as at 29 Dec 2006).

VII. EARNINGS PER SHARE

Earnings per share (and the diluted EPS) for the year 2006, calculated based on the consolidated profit is PLN 0.35.

VIII. STRUCTURE OF THE CAPITAL GROUP OF THE BANK

Between January 1 and December 31, 2006, changes were registered in the firms (names) of the Bank's subsidiaries, driven by the intention to introduce a common brands architecture for the Bank and subsidiaries, respectively:

- the firm BEL Leasing Sp. z o.o. was replaced with the name Millennium Leasing Sp. z o.o.,
- the firm Forin Sp. z o.o. was replaced with the name Millennium Lease Sp. z o.o.
- the firm Besta Sp. z o.o. was replaced with the name Millennium Services Sp. z o.o

Also, the Group sold its subsidiaries MP Plaza Sp. z o.o. (the sale closed on July 31, 2006 r.) and MP Leasing Sp. z o.o. (entity created through a spin-off from Millennium Leasing Sp. z o.o. on August 4, 2006, the sale closed on November 15, 2006). The below transactions were executed with independent entities. The companies were not consolidated due to the above-presented criterion.

IX. MATERIAL EVENTS THAT OCURRED BETWEEN THE DATE OF THE REPORT AND ITS PUBLICATION DATE AND MIGHT BE OF SIGNIFICANT IMPACT ONTO THE FUTURE FINANCIAL RESULTS OF THE GROUP

On January 29, 2007, the Bank and Bison Non-standardized Securitization Closed-end Investment Fund, seated in Warsaw (the “Fund”), founded and managed by BPH Towarzystwo Funduszy Inwestycyjnych SA, seated in Warsaw, a sale agreement regarding corporate NPL receivables (the “Agreement”). Total amount of the receivables (principal amounts, interest, and other related receivables) to be sold under the Agreement is PLN 541,604,226.81 (as at July 31, 2006), while the sale price was set by the parties at a level that does not entail recognition of the Agreement to be significant, as defined by the Ordinance of the Minister for Finance, dated October 19, 2005, in the matter of current and periodic information delivered by securities issuers (Journal of Laws from 2005, no. 209, item 1744).

Estimated net impact onto the net financial income of the Bank is PLN 6.9 million.

X. SHAREHOLDERS WITH AT LEAST 5% OF TOTAL NUMBER OF VOTES AT THE GSM OF THE DOMINANT ENTITY OF THE GROUP - BANK MILLENNIUM S.A.

Data as at the closing date of the quarterly report based on data as at 30 September 2006

Shareholder	Number of shares	% share in share capital	Number of votes	% share in GSM votes
Banco Comercial Portugues S.A.	424 624 072	50.00	424 624 072	50.00
Carothers Trading Limited	84 833 256	9.99	84 833 256	9.99
Priory Investments Group Corp.	84 833 256	9.99	84 833 256	9.99
M+P Holding S.A.	84 833 256	9.99	84 833 256	9.99

Data as at the closing date of the current quarterly report based on data as at 31 December 2006

Shareholder	Number of shares	% share in share capital	Number of votes	% share in GSM votes
Banco Comercial Portugues S.A.	556 325 794	65.51	556 325 794	65.51

Pursuant to the approval given by the Banking Supervision Commission to Banco Commercial Portugues (BCP) to increase the equity and number of votes from the present 50% to 66%, in November 2006 BCP arranged a tender offer for 135 869 073 shares of Bank Millennium SA. The decision to increase the exposure in Bank Millennium SA is part of the BCP strategy focusing on strategic markets, mainly Poland, and is a clear sign of strong conviction of development prospects of the market and Bank Millennium SA as one of the market players.

XI. TABLE OF SHARES OF BANK MILLENNIUM S.A. HELD BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS (INCUMBENT AS OF DECEMBER 31, 2006)

Name and surname	Function	Number of shares as of the day of submission of the quarterly report prepared as of September 30 2006	Number of shares as of the day of submission of this quarterly report prepared as of December 31 2006
Bogusław Kott	Chairman of the Management Board	3 023 174	3 023 174
Luis Pereira Coutinho	Deputy Chairman of the Management Board	0	0
Fernando Bicho	Member of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	490 000	490 000
Wojciech Haase	Member of the Management Board	5 246	5 246
Joao Bras Jorge	Member of the Management Board	0	0
Wiesław Kalinowski	Member of the Management Board	0	0
Zbigniew Kudaś	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6 260	6 260
Maciej Bednarkiewicz	Chairman of the Supervisory Board	94	94
Ryszard Pospieszyński	Deputy Chairman of the Supervisory Board	26 200	26 200
Christopher de Beck	Member of the Supervisory Board	95 000	95 000
Dimitrios Contominas	Member of the Supervisory Board	0	0
Pedro Teixeira Duarte	Member of the Supervisory Board	0	0
Marek Furtek	Member of the Supervisory Board	1	1
Jorge Manuel Jardim Goncalves	Member of the Supervisory Board	10 000	10 000
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Francisco de Lacerda	Member of the Supervisory Board	0	0
Vasco de Mello	Member of the Supervisory Board	0	0
Paulo Teixeira Pinto	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Zbigniew Sobolewski	Member of the Supervisory Board	0	0

XII. PENDING COURT CASES

The largest pending court cases involving Bank Millennium S.A. are as follows:

Case instituted by the Bank with the suit dated 22.07.1998 against the State Treasury for PLN 65 613 512.20 under the responsibility of the State Treasury in connection with purchase, by former Bank Gdański S.A., of the receivables from health service providers, which contrary to the assurances proved disputable; On April 26, 2006 the Bank filed an appeal against the ruling, dated March 20, 2006, dismissing the Bank's lawsuit. The appeal was dismissed. The ruling is final, yet the Bank has the right to submit a cassation claim.

- Case instituted by Grzegorz Jedamski against the Bank, in connection with the suit filed to the District Court in Warsaw for awarding in his favour an amount of PLN 299 833 300 as indemnity for the illegally taken-over BIG BANK Spółka Akcyjna (former ŁBR S.A.). Proceedings suspended.

XIII. INFORMATION ON LOAN SURETIES OR GUARANTEES GRANTED BY THE BANK

In the 4Q 2006 the Bank did not grant to any entity a loan or cash advance surety, guarantee as a result of which the total value of the Bank's exposure towards the Client would exceed 10% of the Bank's equity.

XIV. INFORMATION ON INCOME TAX

q The due income tax

The due income tax, debiting the gross financial result, was established pursuant to the provisions of the Act on corporate income tax, dated February 15, 1992. In the light of the legal regulations in force the Group does not constitute a tax group and consequently the amount debited to the consolidated gross result under both the due and deferred taxes is the total of proper fiscal values of the companies included in the consolidation. At the end of 4Q 2006 the Bank recorded a taxable income of PLN 454 886 thousand. The income was subject to reductions by previous years' tax losses totalling PLN 281 868 thousand. In result, the taxable basis was PLN 172 675 thousand, and the due tax PLN 32 808 thousand. The due tax was settled with the fixed income tax on dividends and other gains from participation in profits of legal persons the Bank had paid in previous years.

Main income components included:

ü Cash FX result on CIRS capital reset;
ü Cashed income under debt securities and Sell Buy Backs;
ü Received premiums on option contracts.

The PLN 41 million charge towards the due income tax, recognized in the consolidated Profit and Loss Account, was composed of the above, plus tax burden of subsidiaries: Millennium Dom Maklerski S.A. and Millennium TFI S.A.

q Deferred income tax

On the grounds of the Accounting Act business entities are obliged to establish provision for deferred tax, as a result of the differences in recognition of the income as obtained and cost as incurred, following the Act on corporate income tax. Therefore, companies-members of the Group establish provision for income tax every month assuming as the basis for provisioning all the timing differences, which will certainly become tax cost or income in the following reporting periods. The application of this approach allows consistent debiting of the gross financial result and guarantees that the costs and income of the current financial year will not impact the financial result of the following years. The deferred part captured in the income statement constitutes the difference between the change in the deferred tax provision and asset. In the consolidated balance sheet the deferred tax provision and assets are offset pursuant to IAS 12.

The deferred income tax recognised in the Group's income statement for the year 2006 totalled PLN 28.6 million.

XV. INFORMATION ON ISSUE/REPURCHASE/REPAYMENT OF DEBT SECURITIES AND EQUITIES

In the period under review the change in the Group's liabilities from issue of debt securities was as follows (data in PLN thousands):

MOVEMENTS IN LIABILITIES FROM ISSUE OF DEBT SECURITIES

	01.01.2006-31.12.2006
Balance at the beginning of the period	**69 436**
a) increases (of which)	6 240
- purchase of bill of exchange by NBP	5 705
- accrued interest	535
b) decreases (of which)	69 971
- repurchase of bonds	45 760
- repurchase of bill of exchange from NBP	22 836
- repayment of interest	1 375
Balance at the end of the period	**5 705**

XVI. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

Any transactions made between the Group's entities in the three quarters of 2006 were concluded on market terms and resulted from current operations. Below please find the amounts of group-internal transactions eliminated in the process of consolidation.

MOST IMPORTANT ELIMINATIONS OF GROUP-INTERNAL TRANSACTIONS AND CONSOLIDATION ADJUSTMENTS (PLN thous.)

	31.12.2006
ASSETS	
Accounts and deposits kept in the Bank	383 686
Loans, advances, purchased receivables between entities subject to consolidation	1 382 072
Receivables from securities bought with a sell-back clause	0
Debt securities subject to transactions with repurchase agreement	49 552
Shares in subsidiaries subject to consolidation	99 756
Other assets (including capital paid-in)	78 697
Prepayments	570 001
LIABILITIES	
Liabilities from accepted deposits, loans, advances, sold receivables between entities subject to consolidation	1 834 789
Liabilities from securities sold with a buy-back clause	49 552
Subordinated debt	0
Special funds and other liabilities	514 916
Accruals	7 980

INCOME STATEMENT

	1.01.2006 - 31.12.2006
Income from:	
Interest on accounts, deposits and receivables from loans, advances, purchased receivables	72 105
Bank and brokerage commissions	40 722
Group internal dividends	516 663
Other operating income	4 237
Expense from:	
Interest on accounts, deposits and receivables on loans, advances, sold receivables	77 508
Bank and brokerage commissions	43 999
Operations of entities subject to consolidation	15 711